

PUBLIC DISCLOSURE

November 12, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Midsouth Bank
RSSD# 87944**

**2506 Southwest Circle
Jonesboro, Arkansas 72401**

Federal Reserve Bank of St. Louis

**P.O. Box 442
St. Louis, Missouri 63166-0442**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The following table indicates the performance level of Midsouth Bank with respect to the lending, investment, and service tests.

Performance Levels	<u>Midsouth Bank</u>		
	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve		X	
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Midsouth Bank's CRA performance is rated Satisfactory for the following reasons:

- Lending levels reflect a good responsiveness to assessment area credit needs;
- A high percentage of loans are made in the institution's assessment area;
- The geographic distribution of loans reflects good penetration throughout the assessment area;
- The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different size;
- The bank has made an adequate level of community development loans;
- The above factors support an overall satisfactory rating even though the bank was rated needs to improve under the investment test because it has a poor level of qualified community development investments and grants;
- The bank's retail services revealed that delivery systems are reasonably accessible to essentially all portions of the assessment area;
- Services do not vary in a way that would inconvenience certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals; and
- The bank provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION¹

Midsouth Bank is a full-service retail bank that is wholly owned by MSB Shares, Inc., a one-bank holding company located in Jonesboro, Arkansas. As of September 30, 2002, MSB Shares, Inc. had total assets of \$366.1 million. Midsouth Bank operates nine branches (including the bank's main office), with six in Jonesboro, Arkansas; two in Monette, Arkansas; and one in Bay, Arkansas. All of the branches are located in Craighead County. Eight of the branches have on-site, deposit accepting, automated teller machines (ATMs). One of the bank's branches located in Monette, Arkansas is a drive-up only facility. The bank also maintains a stand-alone ATM in Leachville, Arkansas.

As of September 30, 2002, the bank reported total assets of \$364.7 million. As of the same date, loans and leases outstanding were \$279.0 million (76.5 percent of total assets) and deposits totaled \$317.4 million. The bank's loan portfolio composition by credit category is displayed in the table below.²

Distribution of Total Loans		
Credit Product Type	Amount in \$000s	Percentage of Total Loans
Construction and Development	\$ 15,686	5.6%
Commercial Real Estate	\$ 84,110	30.1%
Multifamily Residential	\$ 4,196	1.5%
1-4 Family Residential	\$ 56,846	20.4%
Farmland	\$ 11,379	4.1%
Farm Loans	\$ 31,807	11.4%
Commercial and Industrial	\$ 44,560	16.0%
Loans to Individuals	\$ 29,429	10.5%
Total Other Loans	\$ 1,012	0.4%
TOTAL	\$ 279,025	100%

As indicated in the table above, a significant portion of the bank's lending resources is directed to loans secured by commercial real estate, loans secured by 1-4 family residential properties, and commercial and industrial loans.

¹ Any percentage row or column "TOTAL" figure displayed throughout this evaluation that does not equal exactly 100 percent is strictly due to rounding differences, which are considered immaterial to overall performance conclusions.

² For purpose of this table, total loan information is derived from gross loans and leases data reported on the Consolidated Report of Condition and Income as of September 30, 2002.

As part of this evaluation under the CRA, the bank's performance was evaluated in relation to the performance of local competitors. Four financial institutions were identified as regional competitors with assets ranging from \$199.5 million to \$238.1 million.

The bank received a satisfactory rating at its previous CRA evaluation conducted on November 27, 2000, by the Federal Reserve Bank of St. Louis using large bank evaluation procedures.

DESCRIPTION OF ASSESSMENT AREA³

The bank's assessment area is comprised of the entire county of Craighead (12 census tracts), which is also the entire Jonesboro metropolitan statistical area (MSA 3700). Also included in the bank's assessment area is one non-MSA block numbering area located within Mississippi County.

The following table reflects the number and family population of the geographies within the assessment area in each income category.⁴

Assessment Area Geographical Information by Income Category					
1990 Census Data	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area Geographies	0	2	9	2	13
	0.0%	15.4%	69.2%	15.4%	100%
Family Population	0	3,474	13,943	3,455	20,872
	0.0%	16.6%	66.8%	16.6%	100%

The previous table reveals that the bank's assessment area does not contain any low-income geographies. However, it does include two moderate-income geographies, both of which are located in the Jonesboro MSA. The majority of the geographies are middle-income and more than half of the assessment area's family population resides in middle-income geographies.

Based upon 1990 census data, the median family income for the assessment area was \$27,038. Currently, the Department of Housing and Urban Development (HUD) estimates the 2002 assessment area median family income to be \$41,861. The following table displays population percentages of assessment area families by income level, compared to the Jonesboro MSA and the state of Arkansas.

³ Statistical/demographic information cited in this evaluation, unless otherwise stated, is taken from 1990 United States Census Bureau data.

⁴ See the glossary in Appendix B for the definitions of the low-, moderate-, middle-, and upper- income categories.

Assessment Area Family Population by Income Level					
1990 Census Data	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	4,493	3,560	4,961	7,858	20,872
	21.5%	17.1%	23.8%	37.6%	100%
Jonesboro MSA	4,081	3,240	4,523	7,297	19,141
	21.3%	16.9%	23.6%	38.1%	100%
State of Arkansas	137,653	116,565	144,578	257,669	656,465
	21.0%	17.8%	22.0%	39.3%	100%

Overall, the assessment area population is distributed similarly to the Jonesboro MSA and the state population. Although there are no low-income and only two moderate-income census tracts within the assessment area, a substantial number (38.6 percent) of the assessment area family population is low- to moderate- income (LMI) regardless of where they live.

Craighead county had an estimated population of 82,436 in 2000 and was ranked as the ninth largest county in the state of Arkansas. The largest industries in 2000 were services (26.7 percent of earnings), durable goods and manufacturing (14.2 percent), and state and local government (12.9 percent).⁵ The fastest growing industry was nondurable goods manufacturing which increased 9.8 percent. The county's major employers include St. Bernard's Health Center (1,820 employees), Arkansas State University (1600 employees), Wal-Mart Supercenters (940 employees), and Hytrol Conveyor Company (915 employees).

Jonesboro, Arkansas is the county seat of Craighead County and is located in Northeast Arkansas. With a year 2000 resident population of approximately 82,000, Jonesboro is the economic center of the retail trade and service area for a vast expanse of territory. Jonesboro is also considered the hub of agricultural production with delta cotton land to the east and extensive rice fields to the southwest.

A community contact conducted during the exam stated that the county's economy is strong and continues to attract new small and large businesses. The contact also cited St. Bernard's Health Center and Arkansas State University as stabilizing factors during this period of growth. The healthy economy is reflected in Craighead County's 2001 average unemployment rate of 4.4 percent and year-to-date average rate of 4.7 percent; both are below the state 2001 average of 5.1 percent and year-to-date average of 5.2 percent.

The steady economic growth is attracting residents of varying income levels. Housing affordability in the assessment area closely matches that of the state of Arkansas. The

⁵ Source: Bureau of Economic Analysis, U.S. Commerce Department.

assessment area has an affordability ratio⁶ of 44.7 compared to the state’s ratio of 45.9. Also, median gross rent is \$325 in the assessment area compared to \$328 for the state. The community contact indicated that the current housing market caters to middle- and upper-income borrowers and that there is a need for more affordable single-family and multifamily housing. In addition, it was noted by another community contact that the primary credit need of the community is a home mortgage product targeted to LMI borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank’s performance was evaluated under the CRA large bank performance standards.

LENDING TEST

Midsouth Bank meets the standards for a high satisfactory rating under the lending performance test. The bank’s lending level reflects a good responsiveness to assessment area credit needs. A high percentage of loans are made in the institution’s assessment area. The geographic distribution of loans reflects good penetration throughout the assessment area and the distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different size. Also, the bank has made an adequate level of community development loans.

The bank’s reported 2001 Home Mortgage Disclosure (HMDA) data and 2001 CRA data were used to evaluate the bank’s performance under the lending test. The loan data were used to evaluate the bank’s lending volume, distribution of lending by borrower income characteristics, community development lending, and the use of innovative and flexible lending practices.

Geographic Distribution

As noted in the assessment area description, there are no low-income geographies and only two geographies within the bank’s assessment area are moderate-income. The following table illustrates the geographic distribution of the bank’s HMDA loan activity.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography					
Loan Type	Geography Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Purchase	0	29	169	53	251
	0.0%	11.6%	67.3%	21.1%	100%

⁶ This figure is calculated by dividing the median household income by the median housing value; it represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 100 percent indicate greater affordability.

	\$0	\$2,026	\$12,023	\$6,936	\$20,985
	0.0%	9.7%	57.3%	33.1%	100%
Home Improvement	0	11	47	26	84
	0.0%	13.1%	56.0%	31.0%	100%
	\$0	\$370	\$1,357	\$1,543	\$3,270
	0.0%	11.3%	41.5%	47.2%	100%
Refinancing	0	37	274	97	408
	0.0%	9.1%	67.2%	23.8%	100%
	\$0	\$2,303	\$21,799	\$10,273	\$34,375
	0.0%	6.7%	63.4%	29.9%	100%
Total	0	77	490	176	743
	0.0%	10.4%	65.9%	23.7%	100%
	\$0	\$4,699	\$ 35,179	\$18,752	\$58,630
	0.0%	8.0%	60.0%	32.0%	100%
Owner-Occupied Housing	0.0%	13.5%	67.8%	18.7%	100%

The table above indicates the bank's penetration of total HMDA reportable loans to LMI geographies was 10.4 percent by number and 8.0 percent by dollar, whereas 13.5 percent of owner-occupied housing within the assessment area is located in LMI geographies. The majority of the loans made in LMI areas were for the purpose of purchasing or refinancing a dwelling. The bank's lending performance is just slightly below the 2001 HMDA Aggregate Data⁷ for the bank's assessment area which reveal 10.7 percent (8.5 percent by dollar) of all HMDA loans originated were to applicants living in LMI areas. Based on these percentages, the bank's HMDA lending in LMI geographies is good.

In addition to the bank's HMDA data, the geographic distribution of the bank's CRA data was also reviewed. The following table illustrates the results of the business loan review along with the percentage of businesses located in each income level of geography for comparison.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography					
Loan Type	Geography Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Business	0	24	184	47	255
	0.0%	9.4%	72.2%	18.4%	100%
	\$0	\$ 1,062	\$ 12,284	\$ 5,315	\$ 18,661
	0.0%	5.7%	65.8%	28.5%	100%

⁷ HMDA Aggregate Data represent all lending activity collected and reported under the HMDA for this assessment area, based upon all financial institutions required to report such data (less the subject bank).

Business Institutions	0.0%	11.5%	73.2%	15.3%	100%
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The bank's lending to businesses located in LMI geographies is favorable. The bank made 9.4 percent (5.7 percent by dollar) of its loans to businesses in LMI geographies. In comparison with the 2001 CRA Aggregate Data,⁸ the bank is performing well. Aggregate lending to businesses in LMI areas was 9.1 percent by number and 6.8 percent by dollar. According to data from Dun & Bradstreet, 11.5 percent of all reporting businesses within the assessment area are located in LMI geographies.

The following table illustrates the review of 2001 CRA Farm data.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography					
Loan Type	Geography Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Farm	0	40	48	10	98
	0.0%	40.8%	49.0%	10.2%	100%
	\$0	\$ 3,092	\$ 3,738	\$ 1,601	\$ 8,431
	0.0%	36.7%	44.3%	19.0%	100%
Farm Institutions	0.0%	17.5%	62.0%	20.5%	100%

As illustrated above, Midsouth Bank performed favorably with respect to farm lending in 2001. The table above indicates the bank made 40.8 percent (36.7 percent by dollar) of the bank's farm loans to farms located in LMI geographies. According to Dun & Bradstreet, only 17.5 percent of farms in the assessment are located in LMI geographies. When compared to the 2001 CRA Aggregate Data, the bank also performed exceptionally well. The aggregate data indicate 12.5 percent (12.6 percent by dollar) of all farm loans made in the assessment area were to farms located in LMI geographies.

Based upon the analysis of the bank's HMDA and CRA data the geographic distribution of loans reflects good penetration throughout the assessment area.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

Midsouth Bank's HMDA and CRA data were also analyzed to determine the bank's level of lending to borrowers of different income levels and businesses of different sizes. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the most recent median family income figure as

⁸ CRA Aggregate Data represent all lending activity collected and reported under the CRA for this assessment area, based upon all financial institutions required to report such data (less the subject bank).

estimated by HUD (\$41,861 for the assessment area as of 2002). The following table shows the distribution of residential real estate loans by income level of the borrower.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Borrower					
Loan Type	Borrower Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Purchase	24	49	62	114	249
	9.6%	19.7%	24.9%	45.8%	100%
	\$1,044	\$2,693	\$4,460	\$12,660	\$20,857
	5.0%	12.9%	21.4%	60.7%	100%
Home Improvement	10	15	13	46	84
	11.9%	17.9%	15.5%	54.8%	100%
	\$162	\$234	\$274	\$2,600	\$3,270
	5.0%	7.2%	8.4%	79.5%	100
Refinance	34	70	102	173	379
	9.0%	18.5%	26.9%	45.6%	100%
	\$1,680	\$4,214	\$7,475	\$18,538	\$31,907
	5.3%	13.2%	23.4%	58.1%	100%
Total	68	134	177	333	712
	9.6%	18.8%	24.9%	46.8%	100%
	\$2,886	\$ 7,141	\$ 12,209	\$ 33,798	\$ 56,034
	5.2%	12.7%	21.8%	60.3%	100%
Family Population	21.5%	17.1%	23.8%	37.6%	100%

As the table above indicates 712 HMDA loans were reviewed for this analysis, 28.4 percent (17.9 percent by dollar) of which were originated to LMI borrowers. Of the loans for the purchase of 1-4 family dwellings, 29.3 percent were to LMI borrowers. Although 38.6 percent of families in the assessment are LMI, according to 1990 census data, 13.5 percent of families in the assessment area are below the poverty level. The poverty level is reflective of a segment of the population that may be unable to afford homeownership. The bank performed well in comparison with 2001 Aggregate HMDA data which indicated 21.0 percent (11.4 percent by dollar) of aggregate lending was to LMI families.

The following table shows the distribution of small business loans by gross annual business revenue and loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Origination Amount (in \$000s)			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	92	13	6	111
	61.3%	8.7%	4.0%	74.0%

	\$ 1,991	\$ 2,182	\$ 3,699	\$ 7,872
	14.0%	15.3%	26.0%	55.3%
Greater than \$1 Million	24	9	6	39
	16.0%	6.0%	4.0%	26.0%
	\$ 1,198	\$ 1,404	\$ 3,750	\$ 6,352
	8.4%	9.9%	26.4%	44.7%
TOTAL	116	22	12	150
	77.3%	14.7%	8.0%	100%
	\$ 3,189	\$ 3,586	\$ 7,449	\$ 14,224
	22.4%	25.2%	52.4%	100.0%

Based upon the analysis of the bank's CRA business loan data, the bank is currently meeting the needs of small businesses. The bank originated 74.0 percent of its commercial loans to small businesses, which is above the 2001 CRA Aggregate of 67.1 percent. Of all the small business loans made to small business entities, 61.3 percent were made in the amounts of \$100,000 or less. This reflects both the relative size of the businesses in the area and the bank's willingness to meet the credit needs of small businesses. For the year 2001, Dun & Bradstreet indicated that 79.1 percent of business in the assessment area have gross revenues of \$1 million or less.

The following table shows the distribution of farm loans by gross annual farm revenue and loan size.

Lending Distribution by Farm Revenue Level				
Gross Revenue	Loan Origination Amount (in \$000s)			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$500	
\$1 Million or Less	46	14	8	68
	62.2%	18.9%	10.8%	91.9%
	\$ 1,887	\$ 2,028	\$ 2,766	\$ 6,681
	25.7%	27.6%	37.6%	90.8%
Greater than \$1 Million	4	1	1	6
	5.4%	1.4%	1.4%	8.1%
	\$ 175	\$ 174	\$ 325	\$ 674
	2.4%	2.4%	4.4%	9.2%
TOTAL	50	15	9	74
	67.6%	20.3%	12.2%	100%
	\$ 2,062	\$ 2,202	\$ 3,091	\$ 7,355
	28.0%	29.9%	42.0%	100.0%

The bank originated 91.9 percent of its farm loans to small farms of which 62.2 percent were made in the amounts of \$100,000 or less. This is adequate compared to the 2001 CRA aggregate data which indicate 96.7 percent of all farm loans were made to small farms. For the year 2001, Dun & Bradstreet indicated that 92.1 percent of farms in the assessment area have gross revenues of \$1 million or less.

Therefore, based upon the distribution of the bank's residential real estate, small business, and small farm lending to borrowers of different income levels, lending distribution reflects good penetration among customers of different income levels and businesses of different sizes.

Lending Activity

One indication of the bank's overall level of lending activity is its loan-to-deposit (LTD) ratio. The table⁹ below displays the bank's average LTD ratio¹⁰ in comparison to that of regional competitors.

Loan-to-Deposit Ratio Analysis			
Name	Asset Size	Headquarters	Average LTD Ratio
Midsouth Bank	\$ 364,743	Jonesboro, Arkansas	83.8%
Regional Bank Competitors	\$ 201,861	Jonesboro, Arkansas	91.3%
	\$ 199,511	Jonesboro, Arkansas	90.0%
	\$ 238,069	Jonesboro, Arkansas	90.0%
	\$ 225,405	Jonesboro, Arkansas	77.9%

For the past eight quarters, the bank's LTD ratio has ranged from a low of 78.1 percent to a high of 90.0 percent with an average of 83.8 percent. In addition, the bank originates a significant number of loans that are subsequently sold on the secondary market, which are not reflected in this ratio. The bank's primary competitors are local institutions of smaller asset size and branches of larger institutions based outside of Jonesboro. For comparison purposes, four local institutions were used. These institutions' average LTD ratios range from 77.9 percent to 91.3 percent over the same period. Therefore, given the bank's size, financial condition, and the credit needs of the assessment area, the bank's lending levels reflect good responsiveness to assessment area credit needs.

⁹ Asset size figures in this table represent total assets as of September 30, 2002 (in \$000s).

¹⁰ The average LTD ratio represents a 8-quarter average, dating back to the bank's last CRA evaluation.

Assessment Area Concentration

The following table identifies by loan type, the number, dollar volume, and percentage of loans originated inside the assessment area.

Lending Inside and Outside of Assessment Area (in \$000s)			
Loan Type	Inside Assessment Area	Outside Assessment Area	TOTAL
HMDA	743	122	865
	85.9%	14.1%	100%
	\$ 58,630	\$ 9,239	\$ 67,869
	86.4%	13.6%	100%
Business	255	52	307
	83.1%	16.9%	100%
	\$ 18,661	\$ 3,893	\$ 22,554
	82.7%	17.3%	100%
Farm	98	34	132
	74.2%	25.8%	100%
	\$ 8,431	\$ 5,051	\$ 13,482
	62.5%	37.5%	100%
TOTAL	1,096	208	1,304
	84.0%	16.0%	100%
	\$ 85,722	\$ 18,183	\$ 103,905
	82.5%	17.5%	100%

The bank made a high percentage of loans to borrowers residing inside of the assessment area. Of the bank's HMDA loans, 85.9 percent were made in the assessment area. Also, CRA data reflect that, 83.1 percent of the bank's business loans and 74.2 percent of the bank's farm loans were made in the assessment area.

Community Development Lending

The bank made an adequate number of community development loans since the last examination. Since that time, the bank has made five community development loans totaling \$230,000. Four of these loans were for temporary construction financing of affordable single-family homes. One loan was for the purchase of a multifamily complex in a moderate-income geography. Most residents of the complex receive some form of public assistance.

INVESTMENT TEST

Qualified Investments

Given the bank's asset size and market area, the bank has a poor level of qualified community development investments and grants. The bank has donated a total of \$7,395 to seven organizations that have a community development purpose. The bank also holds two school district bonds for a school located in a moderate-income census tract totaling \$144,798. The bank shows poor responsiveness to credit and community development needs and rarely uses innovative or complex investments to support community development initiatives.

SERVICE TEST

Midsouth Bank is rated high satisfactory under the service test for large banks. The bank's delivery systems are accessible to essentially all portions of the institution's assessment area. The bank has not made any changes to its branch structure that adversely affect the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Also the bank's services do not vary in a way that inconvenience portions of the assessment area. In addition, the bank provides an adequate number of community development services.

Retail Services

The bank maintains nine branches including two in moderate-income geographies. The bank has six locations in Jonesboro, two in Monette, Arkansas, and one in Bay, Arkansas. All branches are full service except for one branch in Monette which is a drive-up only facility. Eight of the branches have deposit accepting ATMs. The bank also maintains an ATM in Leachville, Arkansas.

The main office lobby hours are 8 a.m. to 5 p.m. Monday through Friday, and the drive-up is open 8 a.m. to 5 p.m. Monday through Thursday and 8 a.m. to 6 p.m. Friday. The other offices maintain similar hours except for the Southwest Drive branch and the Highland Office which are open on Saturdays. Also, the Bay branch closes at 2 p.m. Monday through Thursday.

The bank has not opened or closed any branches since the previous CRA examination. The bank does maintain a branch closing policy in the event a branch closure is contemplated.

The bank offers free 24-hour telephone banking, free online banking, free ATM and debit cards, and free checking accounts.

Community Development Services

Midsouth Bank provides an adequate level of community development services throughout its assessment area. The bank is involved in various organizations that specifically benefit LMI individuals and areas.

The following is a listing and description of some community development services offered:

Downtown Jonesboro Association – Promotes small business activity in downtown Jonesboro, which is located in a moderate-income geography. As part of the program, the bank offers merchants one percentage point above the prime rate if they locate within the downtown district. Also, Director Nancy Chrisman serves as Executive Director of this organization.

Jonesboro Health Center - An organization that provides health care to individuals, who cannot afford health insurance. A bank employee serves on the board of directors.

United Way – An organization that invests in communities across the United States and works with various community based organizations. An employee serves on the board of directors and acted as Campaign Co-Chair for this year's fundraiser.

Review of Complaints

No CRA related complaints were received for this institution during the timeframe used for this evaluation (November 27, 2000, through November 12, 2002).

Additional Information

During the Consumer Affairs Examination conducted concurrently with the CRA evaluation, a fair lending analysis was performed to assess the bank's compliance under Regulation B (Equal Credit Opportunity Act) and the Fair Housing Act. The analysis concluded that the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations for the products and services reviewed.

APPENDIX A

SCOPE OF EXAMINATION			
The bank's three major product lines were reviewed for analysis under the lending test. The loans used in the analysis included all of the bank's 2001 HMDA data and 2001 CRA data regarding small business and farms. Also, the bank was asked to provide information concerning the number and dollar volume of community development loans, the number and dollar volume of qualified community development investments, and retail services including any qualified community development services. The bank has one assessment area, and the bank's activities in this area were reviewed using the large bank examination procedures.			
TIME PERIOD REVIEWED		November 27, 2000, through November 12, 2002	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Midsouth Bank Jonesboro, Arkansas			Residential, Small Business and Farm
AFFILIATE(S) REVIEWED	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Craighead County Mississippi County (Tract 108)	On-site	Main Office & Highland	

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Block numbering area ("BNA"): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low-or moderate-income geographies.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male household and no wife present) or "female householder" (a family with a female householder and no husband present).

Full review: Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA"): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Limited review: Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Metropolitan area: Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Optional loans: Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes

consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small loans to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.